

Message Text

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ACTION ARA-10

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 0822

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMCONSUL FRANKFURT

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E.O. 11652: N/A

TAGS: EMIN, EINV, EGEN, BR, GW

SUBJECT: BRAZIIAN MINISTERS VISIT WEST GERMANY: II

REF: (A) BONN 12750; (B) BRASILIA 6613;

(C) BRASIIIA 6670

1. ECONMINISTRY OFFICE DIRECTOR FOR LATIN AMERICA, HORN, WHO ACCOMPANIED BRAZILIAN MINISTERS UEKI (ENERGY AND MINING) AND DOS REIS VELIOSO (PLANNING) DURING VISIT, BRIEFED US JULY 30. HIS COMMENTS SUPPLEMENT INFO CONVEYED REF A.

2. MINISTERS SIGNED THREE CONTRACTS WHICH PROVIDE DM 4.3 BILLION TO BRAZIIAN POWER ORGANIZATION, FURNAS CENTRAIS ELECTRICAS S.A., TO FINANCE ANGRA II AND III: (1) LOAN FROM GERMAN BANK CONSORTIUM FOR DM 1.85

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BILLION; (2) DM 1.85 BILLION LOAN FROM CREDIT FACILITY

FOR RECONSTRUCTION (KFW), OF WHICH DM 650 MILLION WILL HAVE SPECIAL INTEREST RATE OF 7.25 PERCENT; AND (3) EURO CREDIT OF DM 570 MILLION WHICH SEPARATE BANK CONSORTIUM WILL MANAGE.

3. HORN SAID THAT GOB OFFICIALS, IN TALKS WITH ECONMIN FRIDERICH AND GERMAN INDUSTRIALISTS, FOCUSED ON BRAZIL'S DESIRE FOR GREATER FOREIGN INVESTMENT IN RAW MATERIALS EXPLOITATION, AS ESSENTIAL STEP FOR MEETING GOB TARGET OF SELF-SUFFICIENCY IN CHEMICALS, CELLULOSE, ZINC AND OTHER ORES BY END OF 1980'S. IN SAME PERIOD, MINISTERS SAID THAT BRAZIL PLANS TO LOWER PETROLEUM SHARE OF ITS ENERGY PRODUCTION FROM CURRENT 47 PERCENT TO 37 PERCENT. THEY CLAIMED THAT GOB CAN BEAR ANNUAL INTEREST AND AMORTIZATION PAYMENTS UP TO 4 BILLION DOLLARS. BRAZILIAN MINISTERS PARTICULARLY TRIED TO STIMULATE GERMAN CORPORATE INTEREST IN CARACAS IRON ORE PROJECT (REF B), BARRO ALTO NICKEL PROJECT IN WHICH CANADIAN FIRM NOW INVOLVED, AND SIMILAR VENTURES.

4. IN BRIEFING US, HORN TOOK SKEPTICAL VIEW OF AMBITIOUS GOB FIGURES. HE RECALLED THAT GOB HAD MISCALCULATED IN EARLIER PROJECTIONS, AND SUSPECTED THAT IT HAD DONE SO AGAIN WITH ITS AUTARKIC GOALS FOR SELF-SUFFICIENCY. HORN SAID THAT WEST GERMAN COMPANIES ARE KEEN ON SHARING VAST MINERAL WEALTH OF BRAZIL, BUT THAT THEY VIEW MAMMOTH PROJECTS IN JUNGLE WITH CONSIDERABLE CAUTION. IN ADDITION, HORN SAID IT IS NOW CHEAPER FOR GERMAN COMPANIES TO BUY NICKEL ON WORLD MARKET THAN TO ENTER BARRO ALTO PROJECT.
HILLENBRAND

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